

SENATOR CHAMBERS: The lending institution then would loan at $1\frac{1}{2}$ to 2 percent lower than the going rate to this individual who wants....

SENATOR GEORGE: Yes.

SENATOR CHAMBERS: Why is this being attempted in Nebraska?

SENATOR GEORGE: As I said before, we would be state, I believe, number 36. So that is nothing unusual. More than half of the states do have it. As I just mentioned before we are now...and that letter is also on your desk. We are losing over half of our HUD funds for purposes like that, because Nebraska is considered to be a state that does not have an adequate organization to take care of housing for lower and moderate income groups. This would be the proper bill to correct that.

SENATOR CHAMBERS: Senator George, is this like an insuring bill? Is the fund in the form of an insuring agency for the lending institution?

SENATOR GEORGE: I don't know whether I got your question correctly.

SENATOR CHAMBERS: Let me give an example.

SENATOR GEORGE: Are you talking about the insurance or the bond as such?

SENATOR CHAMBERS: No. Let me give a concrete example. If I want to buy a house and I can't afford it at the going rate, and I want to go through this bill, through the procedure established by this bill, the reason I perhaps could not get a loan at the conventional rate is because they consider me a credit risk. Would that be why, or why?

SENATOR GEORGE: Well I don't know whether you can really explain it from the point of view of credit risk. If your income is \$8,000 a year, and you go to that S & L and say I want to build a house which costs \$120,000, you certainly would be a credit risk.

SENATOR CHAMBERS: Well could I do that under this bill then?

SENATOR GEORGE: No, no you could not.

SENATOR CHAMBERS: Okay, so there is really not that much difference in the amount of money I'd be able to obtain under this bill and what I could obtain at a conventional rate then.

SENATOR GEORGE: Oh yes there is. The difference is in the interest rate that you pay. I figured out, on my own home that over the years that I pay off my loan, I have my house paid twice over. That is interest.

SENATOR CHAMBERS: Right. You always, when you buy a house, pay more for the money than you pay for the structure. You always do. But here is the point I'm trying to get to, if I want to buy a house for \$30,000, then I'm going to finance \$30,000. The \$30,000 figure does not include all these other things that might be added, the interest and so forth. So if I'm not qualified to get a \$30,000 house right now, because I couldn't afford to pay it, then I wouldn't be able to pay it